

# **CORRECTED FISCAL NOTE**

## **SB 3616 - HB 3350**

March 29, 2006

**SUMMARY OF BILL:** Enacts the "Tennessee Beverage Container Deposit Act of 2006". Requires deposit beverage distributors to pay the Department of Environment and Conservation (E&C) a sum total of eight-cents (8¢) per deposit beverage container (three cents [3¢] is considered a non-refundable deposit beverage container fee and five cents [5¢] is considered a refundable deposit). Creates the "Deposit Beverage Container Special Fund (DBCSF)". Requires establishment of certified redemption centers. Requires E&C to create an advisory committee to assist in developing rules for implementation. Requires E&C to administer program through its Division of Solid Waste Management. Requires E&C to provide quarterly reports to the Governor and to the General Assembly. Requires Comptroller to audit program every two years.

### **ESTIMATED FISCAL IMPACT:**

On March 20, 2006, we issued a fiscal note for this bill indicating the following estimated impact:

Increase State Revenues – \$105,000,000 FY06-07 / DBCSF  
\$140,000,000 FY07-08 / DBCSF

Increase State Expenditures – \$128,000 One-Time  
\$71,025,000 FY06-07 / DBCSF  
\$94,700,000 FY07-08 / DBCSF

Decrease State Revenues - \$3,450,000 FY06-07 / Highway Fund  
\$242,000 FY06-07 / General Fund

\$4,600,000 FY07-08 / Highway Fund  
\$322,000 FY07-08 / General Fund

Decrease Local Govt. Revenues - \$82,500 FY06-07  
\$110,000 FY07-08

Other Fiscal Impact – To the extent funds remain in the DBCSF at the end of the fiscal year, an amount up to \$10.0 million is required to be allocated to the Department of Transportation to be earmarked for funding county litter grant programs. Any remaining funds shall be appropriated by the General Assembly with preference given to recycling education and projects, and the handling and transportation of beverage containers to end-markets.

Based on additional information received, the fiscal impact of this bill is:

**(CORRECTED)**

**Increase State Revenues – \$234,000,000 FY06-07 / DBCSF  
\$312,000,000 FY07-08 / DBCSF**

**Increase State Expenditures – \$128,000 One-Time  
\$169,380,000 FY06-07 / DBCSF  
\$225,840,000 FY07-08 / DBCSF**

**Decrease State Revenues - \$3,450,000 FY06-07 / Highway Fund  
\$242,000 FY06-07 / General Fund  
  
\$4,600,000 FY07-08 / Highway Fund  
\$322,000 FY07-08 / General Fund**

**Decrease Local Govt. Revenues - \$82,500 FY06-07  
\$110,000 FY07-08**

**Other Fiscal Impact – To the extent funds remain in the DBCSF at the end of the fiscal year, an amount up to \$10.0 million is required to be allocated to the Department of Transportation to be earmarked for funding county litter grant programs. Any remaining funds shall be appropriated by the General Assembly with preference given to recycling education and projects, and the handling and transportation of beverage containers to end-markets.**

Assumptions:

- Annual consumption by container is estimated to be 104.0 gallons per capita for FY06-07.
- Tennessee population is estimated to be 6.0 million for FY06-07.

- Tennessee annual consumption by container is estimated to be 624.0 million gallons (6.0 million people X 104.0 gallons per capita = 624.0 million gallons).
- 624.0 million gallons equivalent to 79.9 billion ounces.
- Total number of containers is estimated to be 3.9 billion.
- The average size container is 20.5 ounces.
- Collections are estimated to be \$312.0 million per year (3.9 billion containers X \$0.08 collected = \$312.0 million).
- Deposit beverage containers redeemed at a 75% rate.
- Amount allocated to certified redemption centers is estimated to be \$224.64 million (\$312.0 in collections X 72% redemption rate = \$224,640,000).
- Administrative costs for E&C to administer program and for the Comptroller to perform annual audits is estimated to be \$1.2 million per year.
- One-time state expenditures for form development, computer programming, and software modifications are estimated to be \$128,000.
- Enactment of this bill will result in a reduction of current state tax revenue derived from the beer barrelage tax and the bottler's gross receipts tax. This decrease is estimated to be \$4.6 million per year. Such funds are earmarked to the Highway Fund for the administration of litter grant programs.
- Enactment of this bill would also result in loss of state and local sales tax as a result of the reduction in the beer barrelage tax and the bottler's gross receipts tax. This decrease is estimated to be \$322,000 state and \$110,000 local.
- Municipal, metropolitan, and county governments, non-profit agencies, and dealers are eligible to become certified redemption centers.
- Fees and refundable deposits due October 1, 2006. First fiscal year impact (FY06-07) is 75% of the first full fiscal year impact (FY07-08).

## **CERTIFICATION:**

This is to duly certify that the information contained herein is true and correct to the best of my knowledge.



James W. White, Executive Director

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**CORRECTED**